

**CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
REGULAR QUARTERLY MEETING
MAY 8, 2013**

The regular quarterly meeting of the Retirement Board of the City of Middletown was held in room 208 of the Municipal Building on Wednesday, May 8, 2013 at 4:00 pm.

Present: Carl Erlacher, Jim Reynolds, Joe Bibisi, Hope Kasper, Steve Gomes

Also Present: Diana Doyle, Personnel Director Kathie Morey, Police Chief William McKenna, Tony Gennaro – Police Union President, Ofc. William Warner, Gerry Goldberg & Mike LePore of Wells Fargo, Nancy Banker and Bob McGee of CS McKee, Ernie Cantwell

Absent: Rich Simone, Chris Bourne, Mayor Daniel Drew

- Meeting was called to order at 4:05.
 - Jim motions to move agenda items 6 & 7 to first on table.
 - Hope makes motion to move the items and was seconded by Joe
 - Steve motions to enter into Executive Session to discuss items 6 & 7 and was seconded by Hope
 - Approved unanimously
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- Executive Session Outcome:
 - Item 6 – Disability Pension Application for Ofc. William Warner
 - Item 7 – Disability Pension Application for Cpt. Margaret Liseo
 - Approved unanimously
- **Regular Meeting is called to order at 4:20pm**
- Public Comments on the Agenda
 - Ernie Cantwell asks if the Retirement Board Committee item from the February meeting will be discussed and where the issue stands
 - Clarification from Hope stating that he is asking about the outside attorney that the Board spoke about hiring to determine effect of the new GASB rules
 - Carl states it can be brought up under “Other”
 - Ernie Cantwell asks if the rate of return for the next FY be discussed
 - Carl states that since it’s not on the agenda it will not be discussed
- Minutes from February 6, 2013 Pension Board Meeting
 - Hope made motion to approve minutes and was seconded by Steve
 - Joe abstained, all others approved
- Review of Investments
 - Gerry introduces Nancy Banker and Bob McGee from CS McKee; handouts of Portfolio Characteristics and an account overview are given; Bob discusses performances in relation to their benchmark; discusses characteristics of people investing and current trends of investors; when asked, confirms that investors are being “pushed” into risk oriented assets
 - Steve asks if investment guidelines affect portfolio
 - Gerry states there is no adverse effect
 - Steve asks if constraints around policy effect ability to match/move return on portfolio
 - Bob states that nothing in the policy currently restricts them; concludes his presentation
 - Diana asks Gerry for confirmation on the CS McKee performance since inception; notes that they have lagged behind benchmark outside of this recent quarter
 - Gerry mentions “direct and aggressive conversation” he recently had with CS McKee about value add shown to clients over extended period of time; wanted a clear explanation of what has been happening; states that Wells Fargo will update its capital market assumptions and do asset allocation study over next quarter or two; discuss asset allocation progress (with City) about how to proceed: continue with 55%/45% focus or change

- Gerry wishes to continue this discussion as an action item at a future meeting
- Wells Fargo has begun preliminary analysis of International Managers – 15 firms, 15 account managers, 15 mutual funds; Pension Board will decide if course to take is full RFP, smaller list of the 45 or select interviews or proceed with passive investment vehicle
- Carl asks to return discussion to CS McKee, notes that they are 80-90 points behind benchmark in 2006 (inception); questions if this is just the economy or is a management team change the cause for the decrease
- Gerry states that the management team and their process is the same - some investments were added that decreased in value and are now increasing

*** Loss of quorum due to Hope leaving, Review of Investments interrupted, Items 9 - 12 voted on

• **Applications for Membership/Requests to Retire/Retired Employees/Deceased Pensioners**

- Accepted assuming that paperwork is complete and individuals meets conditions
- Hope moved to approve and was seconded by Joe
- Approved unanimously
- Jim questions Alfred Moore opting out of pension fund; Diana states that he is of the retirement age 62 or 65 years old

<u>Applications for Membership</u>	<u>Employment Date</u>	<u>Union</u>	<u>Department</u>
Joshua Burger	11/26/12	466	BOE/Finance
Michael Cendali	4/26/13	Library	Library
Peter Custy	2/13/13	466	Public Works
Florence Dunn	1/22/13	466	BOE/Guidance
Nicholas Spratto, Jr.	3/1/13	Police	Police
Jason Terribile	1/25/13	Police	Police

***Alfred Moore

2/19/13

Public Works

***Has opted out of the Pension Fund

<u>Requests to Retire</u>	<u>Retirement Date/Dept</u>	<u>Years Emp./Age</u>
Michael Goldstein	3/27/13/BOE	14 yrs/65 yrs old
Timothy Lynch	2/6/13/Legal	26 yrs/54 yrs old

<u>Retired Employees</u>	<u>Retirement Date/Dept</u>	<u>Years Emp./Age</u>
-NONE-		

Deceased Pensioners

Elvira Lee
John Riordan, Sr.
Joseph Zampini

• **Review of Investments** (continued)

- Updated Asset Allocation Study will be presented in August
- Diana questions information on page 16 in the Retirement Plan handout; fourth quarter should be first quarter and add “contributed to that” after ...“consumer discretionary.”
- Mike Lepore reviews Investment Performance on page 18; states that consumer staples and utilities are performing best; notes that a discussion occurred with Philadelphia about performance and that Wells Fargo has placed Philadelphia on a “Watch List”; suggests an invitation to Philadelphia to August Pension Meeting
- Steve and Mike discuss how stock values affect overall performance of a portfolio
- Steve asks Carl how well Pension Fund is funded. Carl states that per last Actuarial it was around 119%; Diana confirms that it was 117%; Gerry reminds Board that Middletown is well disciplined
- Mike continues with OPEB Report on page 17; value as of May 7th was \$7.36 million, with earnings of \$155,000 and expenses at \$3600
- Mike concludes by stating that Middletown is in the minority of well-funded pension plans

- **Other – Hiring Outside Attorney to Determine Effect of New GASB Rules**

- Carl reminds the Board of the concern brought up at the February meeting confirming that the Pension Fund is a Trust; he stated that he wanted to consult with the two new City Attorneys to discuss any expertise either had in regard to pensions; the new City Attorney advised Carl to seek an outside firm/attorney that specializes in pensions; Carl stated that five (5) of the largest firms in CT have been contacted and that he is still waiting for a reply from John Jacobsen of Reid & Reige (recommended by Gerry at the February Meeting)
- Carl states that the Board/City will take whatever steps necessary to ensure that the Pension Fund is a Trust
- Steve asks question about retiring employees – specifically from the BOE – returning to work and if there is an offset, especially if the employee was not supposed to have been a pension plan contributor
- Carl states that he has spoken with the City Attorney about this and that the City follows the State of CT rules and regulations – retirees can return to work 20 hours a week or less - but, that this is not a law
- Steve questions if BOE will fall under City Ordinances
- Diana suggests that the Chairman of the Board of Education should come to a meeting and answer that question since they do the hiring for the BOE
- Carl suggests that the Ordinance may need to be changed and an Ordinance Study would need to be done
- Joe asks Carl to look into the ordinance study for the pension issue and that it would need to be brought before the Common Council

- **Treasurer's Report**

- Not voted on because there is no quorum

- **Adjournment**

- There was no motion to adjourn due to the lack of a quorum.

Respectfully submitted:

Carl Erlacher, Finance Director

Tracks: MZ 9 - 26